



## Aggie Bond Interest Rate Pricing

---

The tax-exempt interest income earned by lenders and contract sellers enables them to charge the beginning farmers a lower interest rate.

### Comparative Pricing - Bond vs. Conventional

---

#### Step 1

First, calculate net after tax yield on a conventional loan

Conventional Rate            8.50%

Minus Cost of funds        4.50%\*

Equals Gross margin       4.00%

Times (1-tax rate)          .66

Equals net after tax yield   2.64%

\*Cost of funds as a percent of assets

#### Step 2

Add Net after tax yield to Cost of Funds to determine Tax exempt equivalent\*

Net after tax yield            2.64%

Plus Cost of Funds            4.50%\*

Equals tax exempt equivalent   7.14%

\*Aggie Bonds are considered "non bank-qualified." Therefore, the interest expense of carrying the bond is disallowed from lender's ordinary expenses for income tax purposes. Lenders are advised to check with their tax consultants.